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TV-32 DIGITAL VENTURES INC.,  
Debtor and Debtor-in-Possession

UNITED STATES BANKRUPTCY COURT  
NORTHERN DISTRICT OF CALIFORNIA  
547 SAN JOSE DIVISION

In re:  
  
TV-32 DIGITAL VENTURES INC., a  
California corporation,  
Tax ID: 20-1198608  
  
Debtor.

Case No. 09-58098 ASW 11

Chapter 11

Petition Filed: September 23, 2009

**DEBTOR'S SECOND AMENDED  
DISCLOSURE STATEMENT**

**Disclosure Hearing:**

**Date:** September 24, 2010

**Time:** 2:00 p.m.

**Place:** United States Courthouse, Room 3020  
280 South First Street  
San Jose, CA 95113-3099  
The Honorable Arthur S. Weissbrodt

DEBTOR'S SECOND AMENDED DISCLOSURE STATEMENT

1. INTRODUCTION

TV-32 DIGITAL VENTURES INC. ("Debtor," "TV-32" or "Company") hereby submits the following SECOND AMENDED Disclosure Statement concerning Debtor's SECOND AMENDED Chapter 11 Plan (as it may be amended or modified hereafter, including, but not limited to, the SECOND AMENDED Chapter 11 Plan, the "Plan") in the within Chapter 11 case,

1 for the reorganization of the Debtor's estate, pursuant to the provisions of Title 11 of the United  
2 States Code. Reference is made to the Plan, which is being filed simultaneously herewith.

3 Except as expressly provided or unless the context otherwise requires, all capitalized  
4 terms not otherwise defined shall have the meanings set forth in the list of definitions, attached as  
5 Exhibit A to the Plan. Any term used herein or in the Plan that is not defined in the Plan, but is  
6 defined in the Bankruptcy Code or the Bankruptcy Rules, will have the meaning set forth in the  
7 Bankruptcy Code or the Bankruptcy Rules.

8 2. PRELIMINARY INFORMATION

9 THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT (THE  
10 "DISCLOSURE STATEMENT") IS INCLUDED HEREIN FOR PURPOSES OF SOLICITING  
11 ACCEPTANCES OF THE DEBTOR'S CHAPTER 11 PLAN (THE "PLAN") AND MAY NOT  
12 BE RELIED UPON FOR ANY PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE  
13 ON THE PLAN.

14 ALL CREDITORS ARE ADVISED AND ENCOURAGED TO READ THIS  
15 DISCLOSURE STATEMENT AND THE PLAN IN THEIR ENTIRETY BEFORE VOTING TO  
16 ACCEPT OR REJECT THE PLAN. PLAN SUMMARIES AND STATEMENTS MADE IN  
17 THIS DISCLOSURE STATEMENT ARE QUALIFIED IN THEIR ENTIRETY BY  
18 REFERENCE TO THE PLAN AND THE EXHIBITS ANNEXED TO THE PLAN AND THIS  
19 DISCLOSURE STATEMENT. THE STATEMENTS CONTAINED IN THIS DISCLOSURE  
20 STATEMENT ARE MADE ONLY AS OF THE DATE HEREOF, AND THERE CAN BE NO  
21 ASSURANCE THAT THE STATEMENTS CONTAINED HEREIN WILL BE CORRECT AT  
22 ANY TIME AFTER THE DATE HEREOF. IN THE EVENT OF ANY CONFLICT BETWEEN  
23 THE DESCRIPTION SET FORTH IN THIS DISCLOSURE STATEMENT AND THE TERMS  
24 OF THE PLAN, THE TERMS OF THE PLAN SHALL GOVERN.

25 THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE  
26 WITH SECTION 1125 OF THE UNITED STATES BANKRUPTCY CODE AND RULE  
27

1 3016(B) OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE AND NOT  
2 NECESSARILY IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR  
3 OTHER NON-BANKRUPTCY LAW. THIS DISCLOSURE STATEMENT HAS BEEN  
4 NEITHER APPROVED NOR DISAPPROVED BY THE SECURITIES AND EXCHANGE  
5 COMMISSION (THE "SEC"), NOR HAS THE SEC PASSED UPON THE ACCURACY OR  
6 ADEQUACY OF THE STATEMENTS CONTAINED HEREIN. PERSONS OR ENTITIES  
7 TRADING IN OR OTHERWISE PURCHASING, SELLING OR TRANSFERRING  
8 SECURITIES OR CLAIMS OF THE DEBTOR SHOULD EVALUATE THIS DISCLOSURE  
9 STATEMENT AND THE PLAN IN LIGHT OF THE PURPOSE FOR WHICH THEY WERE  
10 PREPARED.

11 3. PURPOSE OF THE DISCLOSURE STATEMENT

12 The purpose of this disclosure statement is to provide adequate information to enable a  
13 hypothetical reasonable investor typical of the holders of claims or interests in the case to make  
14 an informed judgment about the Plan. The Debtor has provided all of the information contained  
15 in the statement except where otherwise expressly indicated. The Debtor is informed and  
16 believes that all information herein contained is accurate and reliable to the best of its knowledge.

17 4. GENERAL DESCRIPTION OF THE DEBTOR AND ITS BUSINESS

18 4.1 Debtor commenced this case on September 23, 2009 (the "Petition Date"), by  
19 filing its voluntary petition for relief under chapter 11 of the Bankruptcy Code. Debtor is now  
20 operating its real property and managing its financial affairs as debtor in possession pursuant to  
21 sections 1107(a) and 1108 of the Bankruptcy Code. This Court has jurisdiction over this case  
22 pursuant to 28 U.S.C. §§ 1334 and 157. Venue is proper in this district pursuant to 28 U.S.C.  
23 §§ 1408 and 1409.

24 4.2 Debtor TV-32 DIGITAL VENTURES INC. is a California corporation which  
25 occupies and manages the Real Property.

26 ///

1 4.3 Debtor was forced to file this case to stay a foreclosure of the Real Property by the  
2 holder of the first deed of trust.

3 4.4 Booker T. Wade formed TV-32 as a California corporation in 2004. Mr. Wade is  
4 now the sole shareholder and officer of the Debtor.

5 4.5 The Debtor filed this case on September 23, 2009, on the eve of Sonoma National  
6 Bank's foreclosure sale of the Real Property - a 21,500 square foot commercial real property  
7 located at 1010 Corporation Way, Palo Alto, California 94303 (APN 116-01-025).

8 4.6 On October 8, 2009, Debtor filed its Schedules A, B, D, E, F, G and H and  
9 Statement of Financial Affairs (see Docket No. 14, erroneously listed as "amended" schedules).

10 4.7 Pinnacle Law Group LLP was appointed as the Debtor's general bankruptcy  
11 attorneys pursuant to an order of the Court entered on October 16, 2009 (see Docket No. 16).

12 4.8 Booker T. Wade was designated Debtor's responsible individual pursuant to an  
13 order of the Court entered on October 16, 2009 (see Docket No. 17).

14 4.9 On October 20, 2009, Debtor filed its Amended Schedules A, B, D, E, F, G and H  
15 and Statement of Financial Affairs (see Docket No. 19).

16 4.10 On October 22, 2009, Debtor attended the Initial Debtor Interview conducted by  
17 Brian Martinson, United States Trustee.

18 4.11 On October 27, 2009, Debtor filed its further Amended Schedules D and E (see  
19 Docket No. 23).

20 4.12 The First Meeting of Creditors was held and concluded on October 28, 2009.

21 4.13 On December 22, 2009, Debtor filed its Disclosure Statement and Chapter 11 Plan  
22 (see Docket Nos. 31 and 32).

23 4.14 On January 27, 2010, Debtor filed its First Amended Disclosure Statement and  
24 Chapter 11 Plan (see Docket No. 48).

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26 ///

1           4.15    The Debtor has attempted but has been unsuccessful in an effort to reach  
2 agreement with the holder of the 1<sup>st</sup> deed of trust and Arlene Stevens on a consensual plan or  
3 other disposition of this case.

4           5.       THE DEBTOR'S SECOND AMENDED PLAN - FACTUAL BACKGROUND  
5                   AND MEANS FOR THE PLAN'S EXECUTION

6                               BACKGROUND

7           5.1       In 2005, TV 32 Digital Ventures Inc. (Debtor) acquired the 21,500 square foot  
8 commercial office building located at 1010 Corporation Way, Palo Alto, California, through the  
9 efforts of Booker Wade [Wade] and Arlene Stevens [Stevens]. The building was intended to be  
10 and became the headquarters of Minority Television Project Inc., licensee of KMTP TV 32, a  
11 non-commercial educational public television station licensed by the Federal Communications  
12 Commission that produces, broadcasts and distributes multicultural and multi-lingual television  
13 programming to 1.8 million homes in the nine-county San Francisco Bay Area via cable, satellite  
14 and over-the-air. As originally proposed to lenders, the business plan of the Debtor was to build  
15 and operate a television digital media center offering the building and its digital equipment for  
16 classes and training to other media entities and professionals. Following their separation and a  
17 resultant contest between Wade and Stevens as to ownership of the Debtor, Wade acquired 100%  
18 ownership and control of the Debtor and building in January 2009.

19           5.2       The building is located adjacent to Highway 101 on 1.1 acres and includes 51  
20 parking spaces. The building had been used for ten years by Stanford University Hospital as a  
21 nursing continuing education center. Stanford remained a tenant for nine months following the  
22 acquisition by the Debtor and paid the Debtor \$2.35 per square foot triple net. Prior to Stanford's  
23 occupancy, for 15 years the building was leased to Wells Fargo Insurance Group and its  
24 predecessors. The configuration of the building includes a front portion 15,000 square foot newer  
25 two-story office structure and a one-story 6,500 square foot older rear portion of laboratory-  
26 warehouse space and classrooms.

1 The Debtor paid \$4,491,439 million for acquisition of the building and the start up of the  
2 Debtor, financed by a first mortgage of \$2,023,750 million from Sonoma Bank [now Sterling  
3 Bank, sometimes referred to herein as “Sterling”], a second mortgage of \$1,416,625 million from  
4 the Small Business Administration [SBA] and \$1,051,064 in cash equity and working capital  
5 from the Debtor. The financing package included funding for the acquisition and installation in  
6 the building of digital broadcast equipment. Stevens provided Sonoma Bank and SBA with  
7 personal guarantees. With the advent of the current recession, the business plan of TV 32  
8 dissipated, compounded by the dissolution of the Wade-Stevens partnership-relationship. A  
9 default on both the first and second mortgages followed.

10 5.3 Following the default, Sonoma Bank noticed a foreclosure sale. Thereafter, the  
11 Debtor filed for protection under Chapter 11 on September 23, 2009. The Debtor filed its initial  
12 Disclosure Statement and a Plan of Reorganization on December 22, 2009. On December 23,  
13 2009, Stevens filed a motion (a) maintaining that she was the sole officer-director of the Debtor,  
14 that the Debtor’s Chapter 11 petition was not authorized by her and (b) requesting the Court to  
15 appoint a trustee to sell the property. Concluding that a question was presented as to the authority  
16 to file the Chapter 11 petition, the Court directed the Debtor and Stevens to seek from either the  
17 state court, or the arbitrator designated by the state court, clarification as to whether Wade had the  
18 authority to file the petition on behalf of the Debtor. The arbitrator issued a decision declaring  
19 that the Settlement Agreement between Wade and Stevens vested in Wade sole ownership of the  
20 Debtor and the building. On July 19, 2010, the Court directed the Debtor to file an amended plan  
21 of reorganization encompassing updated developments. On July 30, 2010, Sterling filed a motion  
22 for relief from the stay.

### 23 SUMMARY OF THE SECOND AMENDED PLAN OF REORGANIZATION

24 5.4 The Second Amended Plan (sometimes referred to as the “Amended Plan”) is to  
25 commence upon the effective date of the plan (thirty days after confirmation, herein the  
26 “Effective Date”), paying to Sterling and the SBA monthly contract interest on account of their  
27

1 Allowed Secured Claims. The Debtor intends to fully lease the building, initially at below market  
2 rates, escalating thereafter to market rates, and within three years, refinance/retire the existing  
3 debt and/or sell the property. KMTP TV will lease, as of the Effective Date, all remaining vacant  
4 space not leased by others. The capacity of KMTP TV to support the lease will be enhanced by  
5 new committed guaranteed revenues, grants from the federal government and subsidies from the  
6 City and County of San Francisco and County of Alameda.

7 5.5 The Amended Plan is a return to the original business plan proposed to Sonoma  
8 Bank and SBA in 2005 when the Debtor purchased its property: operation of a digital media  
9 center. Other elements of the Amended Plan are: (a) the formation of a New Company, College  
10 of Palo Alto, a California for-profit corporation, as the ultimate parent of a Reorganized TV 32  
11 Digital Ventures Inc.; (b) paying 100% of Allowed Secured Claims over the next three years; (c)  
12 paying 10% on account of Allowed Unsecured Claims; and, (d) refinancing the existing debt  
13 and/or selling the property within three years.

14 5.6 The basis of the Amended Plan is the stabilization and indications of a recovery in  
15 the Palo Alto office market reflected in two trends. Employment hiring and declining office  
16 vacancies are leading indicators of an expanding economy. In Palo Alto, industrial-office  
17 vacancy rates have fallen from a 2009 high of 14.5% to approximately 7.7% with the  
18 announcement on July 22, 2010, by AOL Inc. that it will move its headquarters and its 560  
19 employees from Mountain View and that it has signed a lease for 225,000 square feet of office  
20 space in Palo Alto. This follows the leasing in the second quarter of this year by Tesla Motors  
21 Inc. of 350,000 square feet in Palo Alto for space for the production of its electric vehicles and  
22 corporate headquarters. This is bolstered by an announcement on July 28, 2010, from Google  
23 Inc. that its hiring of new employees has returned to 2007 pre-recession levels. In the first six  
24 months of this year, Google added 10% to its workforce in the Bay Area. The Debtor believes  
25 that the 50% absorption of office space in Palo Alto and the hiring by Google are precursors of a  
26 recovering (albeit haltingly) and stabilizing economy, and a recovering Palo Alto office market.

1 Thus, the Amended Plan is premised upon the Debtor leasing vacant space in its office building.  
2 Funding to support the reorganization will come from borrowings, leasing revenues, indirect  
3 government grants and subsidies.

#### 4 COMPONENTS OF THE PLAN

##### 5 A. New Company

6 5.7 Wade will cause to be formed College of Palo Alto, a new California for-profit  
7 corporation with its principal location at the Debtor's property. Majority shares in the entity will  
8 be owned by Wade. Upon consummation of the Amended Plan, all assets of the Debtor will be  
9 transferred to College of Palo Alto.

##### 10 B. Interest Payments

11 5.8 The Debtor's Promissory Note with Sterling provides for an adjustable fifth year  
12 interest rate at 7.2% as of August 1, 2010 adjusted periodically based on the 11th District Cost of  
13 Funds Index of the Federal Home Loan Bank of San Francisco. As of August 1, 2010, with the  
14 index rate at 1.8%, the adjusted contract interest rate is now down from its first year rate to the  
15 minimum rate of 6.2% or \$11,418 monthly. The Debtor will commence paying this amount to  
16 Sterling as of the effective date of the Amended Plan (thirty days following confirmation,  
17 sometimes referred to herein as the "Effective Date"). The Promissory Note with the SBA  
18 provides for a fixed interest rate at 5.5%. Based upon Sterling's June 2010 appraisal, the value of  
19 the SBA collateral is \$417,237. Debtor will commence contract interest payments to the SBA of  
20 \$1,912 monthly beginning on the Effective Date.

##### 21 C. Leasing of Building

22 5.9 KMTP TV currently occupies a portion of the building. KMTP TV is the nation's  
23 smallest public television station by size and revenues. Like all public stations and other small  
24 businesses, it has been battered by the Great Recession. KMTP TV currently lacks the capacity  
25 to lease additional space. However, as detailed in Section 5, starting no later than January 2010,  
26 the revenues of KMTP TV will be enhanced from multiple sources, enabling KMTP TV to lease  
27



1 additional and increasing building space.

2 KMTP TV will lease from the Debtor in varying amounts over the next three years all the  
3 additional space remaining in the building that others do not lease. Starting in November 2010,  
4 Sezmi Corporation of Belmont ("Sezmi") will provide KMTP TV with additional revenues which  
5 will be used to support the expanded lease. Sezmi markets and distributes digital television  
6 receivers; digital broadcast channels, cable program channels, on-demand movies and internet  
7 broadband services to consumers on a subscription basis. The Sezmi equipment has been  
8 installed at the Debtor's premises and is operational. Program testing is in progress. Essentially,  
9 Sezmi is a wireless competitor to cable television operators. Now operating in the Los Angeles  
10 televisions market, the company launches its subscription services in the San Francisco television  
11 market in November 2010.

12 D. Refinancing or Sale

13 5.10 On or before thirty six months from the Effective Date, contemplating that the  
14 property is fully leased at market rents, the Debtor will obtain new financing on or a sale of the  
15 property, thereby facilitating of payment in full of the Allowed Secured Claims of the Class B  
16 Creditors and a 10% dividend on the Class C Allowed Unsecured Claims.

17 FEASIBILITY FACTORS

18 5.11 The Amended Plan relies substantially upon lease revenues from KMTP TV. The  
19 reliance by KMTP TV is primarily upon revenues from Sezmi; secondarily upon grants from the  
20 Corporation for Public Broadcasting; and on a tertiary basis from revenues from expanded  
21 program offerings.

22 5.12 Primary Source

23 Spectrum Lease: The primary source of enhanced revenues for KMTP TV will be from  
24 Sezmi. Founded in 2003, Sezmi is backed by the venture capital firms of Advanced Equities,  
25 Inc., Morgenthaler Ventures, Omni Capital Group, TD Fund, and Legend Ventures. In May  
26 2010, KMTP TV and Sezmi executed an agreement to lease to Sezmi six megabits of the KMTP  
27

1 TV digital broadcast spectrum. Sezmi will use the spectrum for mobile internet access and to  
2 distribute on-demand movies and several of the twenty most popular cable program channels,  
3 likely including CNN, Bravo, TNT and MTV. The Sezmi equipment required to activate the  
4 service has been installed at the building in June 2010. The equipment is operational and  
5 program testing has begun. Other stations in the Bay Area providing spectrum to Sezmi for  
6 distribution of other cable program channels are KCSM TV, Channel 54, San Mateo and KRON  
7 TV, Channel 4, San Francisco. Best Buy stores in the Bay Area will market the Sezmi services.  
8 Under the spectrum lease, Sezmi will pay KMTP TV the greater of a monthly minimum or  
9 twenty-four cents per subscriber plus a share of its local advertising revenues. Using Best Buy  
10 projections of digital receiver sales, Sezmi projects that the KMTP TV annual revenue share will  
11 escalate from \$326,400 in 2011 to \$1.2 million by 2015.

12 5.13 Secondary Source

13 Government Grant: Alternative or additional support to KMTP TV to support the  
14 expanded lease with the Debtor will come from the Corporation for Public Broadcasting (“CPB”),  
15 a Congressionally funded entity that annually provides Community Service Grants to public  
16 television stations for their basic operations, including occupancy expenses. Congress has  
17 authorized annual appropriations through fiscal 2014. In fiscal 2010, CPB distributed \$210  
18 million to 183 public television stations. In the Bay Area for the latest reported year, KRCB,  
19 Santa Rosa; KCSM, San Mateo; and KQED, San Francisco, received Community Service Grants  
20 of \$453,400, \$631,838 and \$3,474,355, respectively. The statutory minimum base grant is  
21 \$443,000.

22 KMTP TV previously has not been eligible for Community Service Grants because it  
23 provided overlapping service of the other three stations. On June 21, 2010, the Acting Chief  
24 Executive Officer of America’s Public Television Stations Inc., the industry trade-lobbying group  
25 representing all 183 public television stations, recommended to CPB’s grant reform group, that  
26 KMTP TV be given grandfather status as to the grant program because of its 15-year unique  
27

1 status among public stations in providing multicultural and multilingual program diversity to  
2 under-served audiences. On August 27, 2010, the grant reform group is expected to formally  
3 urge CPB to include KMTP TV in the grant program. Because CPB last year formally announced  
4 its intent to include program and audience diversity as criteria as a part of its Program  
5 Differentiation Incentive in all its future grant programs, CPB is expected to accept the  
6 recommendation. KMTP TV projects that it will receive approximately \$450,250 beginning in  
7 the first quarter 2011.

8 5.14 Tertiary Sources

9 Space Leasing: The College of Palo Alto, to be incorporated upon confirmation of the  
10 plan, will lease existing and unused classroom space in the building offering instruction in digital  
11 media beginning with the Spring Semester in January 2011. Other space will be leased to other  
12 entities.

13 Expanded Programming: With the industry's conversion to a digital format in June 2009,  
14 KMTP TV now has the capacity to broadcast up to ten channels of programming, up from one  
15 pre-digital. KMTP TV will use this expanded spectrum capacity for leasing to Sezmi (as  
16 described above) and to expand its programming. KMTP TV will create and broadcast five new  
17 24/7 program channels:

18 Channel 33.2: "I am.....(Pan African),"

19 Channel 33.3: "I am.....(Asian),"

20 Channel 33.4: "I Do!" (weddings),

21 Channel 33.5: "I live!" (health); and

22 Channel 33.6: "I Ride!" (bicycling)

23 These channels, now in production, will provide the opportunity for additional revenues.  
24 These activities will require additional space requirements to be supported as follows.

25 ///

26 ///

1 Local Government Support: Funding will come from the City and County of San  
2 Francisco and the County of Alameda. In December 2009, KMTP TV entered into an agreement  
3 with the City and County of San Francisco as a part of the City's Jobs Now project, funded by  
4 the U.S. Treasury Department as a part of the Troubled Assets Relief Program or bank bailout  
5 program. Under the agreement, the City and County of San Francisco is reimbursing KMTP TV  
6 100% of all compensation and payroll costs paid [except health insurance] for four previously  
7 unemployed San Francisco residents. KMTP TV has hired three such staffers who now are  
8 producing and marketing the programs, including "I do!" wedding programs. The fourth person  
9 hired is detailed to organize digital media classes on behalf of KMTP TV and College of Palo  
10 Alto. Also, KMTP TV has an agreement with the County of Alameda, which like San Francisco,  
11 will reimburse KMTP TV for its payroll costs. That staffer produces programming for the "I do!"  
12 channel. The job subsidy program currently is authorized by Congress through September 30,  
13 2010. Upon its return from the summer recess on September 13, 2010, Congress is expected to  
14 extend the program for an additional year. If Congress fails to vote to extend the program, KMTP  
15 TV will place its subsidized employees on leave pending receipt of the CPB grant funds expected  
16 in January 2011. If Congress extends the program, KMTP TV will hire an additional 16  
17 employees in marketing and production to enhance further its products and revenues.

#### 18 STERLING RISKS AND PROTECTION

##### 19 5.15 Collateral Value

20 In March 2009, Sterling retained Pacific Appraisers of Santa Cruz to make an appraisal of  
21 the property. On April 10, 2009, Ryan Whitelaw and Brier Basilico of Pacific Appraisers  
22 submitted their report placing a \$4.73 million value on the property, noting specifically the  
23 negative impacts of the current recession. Eight months later, Sterling again retained Pacific  
24 Appraisers to make another appraisal of the property and in December 2009, the same two  
25 appraisers issued a report placing a \$4.3 million value on the property. In the latter report, the  
26 same two appraisers again specifically noted the economic contagion and minuscule market data.

1 In June 2010, Sterling announced it had commissioned a third appraisal. This time the appraisal  
2 was made from another company, Colliers International of San Jose. Joel Jungen inspected the  
3 property on June 9, 2010 and determined the value of the property to be \$2.8 million - \$2.15  
4 million if the property were to be sold within a 180 day period. Sterling provided a copy of this  
5 most recent appraisal to the Debtor, attached to its request for relief from the stay. The Amended  
6 Plan is premised upon this reduced value of \$2.8 million and a liquidation value of \$2.15 million  
7 in the event of a forced sale within 180 days.

8  
9 **ALLOWED SECURED CLAIMS - ANALYSIS**

10	<b>Value of Collateral</b>	<b>\$2,800,000</b>
11	<b>Property Tax</b>	<b>\$69,423</b>
12	<b>Sterling Claim</b>	<b>\$2,313,340</b>
	<b>SBA Collateral Value</b>	<b>\$417,237</b>

13 When coupled with the attached funds (\$645,500),<sup>1</sup> Sterling's equity cushion in the  
14 property of approximately \$400,000 provides it adequate protection of its secured claim.<sup>2</sup>

15 5.16 Sterling's Levy

16 With the acquisition of the building in 2005, Stevens executed a personal guarantee of the  
17 Debtor's debt instruments in favor of Sonoma Bank. Wade and Stevens also pledged to Sonoma  
18 Bank to secure the mortgage debts with their then joint assets, including the cash equity that was  
19 used to purchase their Woodside residence. Given the default by the Debtor, in February 2010,  
20 the Bank filed a breach of contract action on the personal guarantee in Sonoma County Superior  
21 Court against Stevens. Stevens failed to respond and the court entered a default. The Sonoma  
22 County court granted an order permitting the Bank to attach the contested \$646,500 in proceeds

23 <sup>1</sup> See next section.

24 <sup>2</sup> While the Settlement Agreement assigned the Woodside property and its proceeds (the  
25 "Attached Funds") to Stevens, the California Court of Appeals is now considering whether to  
26 vacate the Settlement Agreement given that Stevens is in breach and for other reasons. Stevens  
27 did not file any opposition to the request to vacate the Settlement Agreement. With only Wade's  
pleadings before it, the Court of Appeals has taken the matter under submission. State statute  
requires the court to issue a decision and an opinion with ninety days of July 20, 2010, *i.e.* by  
October 20, 2010.

1 from the sale of the Woodside residence (the "Attached Funds"). Although the Settlement  
2 Agreement modified the Wade-Stevens joint economic relationship, the Settlement Agreement  
3 specifically provided that the debt commitments to Sonoma Bank were not modified, absent the  
4 Bank's consent. Given that the Debtor lacks the right to preclude actions against or propose  
5 distribution of the funds, the Debtor submits that Sterling should hold the Attached Funds  
6 pending consummation of the Plan herein.

#### 7 CONTINGENT AND LEGAL FACTORS

##### 8 5.17 Settlement Agreement

9 On June 17, 2010, the Santa Clara County Superior Court denied Wade's request to  
10 invalidate and vacate the Settlement Agreement. On July 7, 2010, Wade filed with the California  
11 Court of Appeal, a Petition for Writ of Mandate requesting that Court to review and reverse the  
12 denial order and direct the lower court to either invalidate the Settlement Agreement or vacate  
13 lower court orders enforcing the Settlement Agreement, including the order directing the Clerk of  
14 the Superior Court to execute a Quitclaim Deed on behalf of Wade transferring Wade's 50%  
15 interest in the Woodside property to Stevens who thereafter sold the property.

16 Stevens defaulted on filing an opposition to the Writ Petition. If the appellate court grants  
17 Wade's request(s), ownership of 50% of the proceeds attached by the Sonoma court would revert  
18 to Wade who would use the funds to make the interest payments detailed in Section 3.2.

19 In his response to the Court's reference as to the question of the ownership of the Debtor  
20 and the building, the settlement arbitrator in addition to declaring Wade as the 100% owner, also  
21 concluded that as a condition of his ownership, Wade had an obligation to protect Stevens from  
22 legal action by Sterling. Wade maintains that nothing in the Settlement Agreement so provides.  
23 Wade is seeking review of the arbitrator's decision.

##### 24 5.18 Rossi Hamerslough Action

25 On June 3, 2010, Stevens' counsel filed an action in Santa Clara County Superior Court  
26 asserting that his firm's lien filed in March 2010 as to any Stevens funds was superior to the  
27

1 attachment lien filed by Sterling in 2005. This action should have no impact on the Amended  
2 Plan except to the extent of the amount of the Attached Funds which will ultimately enure to the  
3 benefit of Sterling or the SBA.

#### 4 THE GREAT RECESSION

5 5.19 Commencing in 2007, the U.S. economy entered a historic financial crisis the  
6 press has labeled the Great Recession. The crisis triggered a financial liquidity shortfall in the  
7 global banking system resulting in the collapse of large financial institutions, the bailout of banks  
8 by national governments and steep downturns in stock markets around the world. In many areas,  
9 the housing market also suffered, resulting in millions of foreclosures and prolonged vacancies.  
10 It is considered by many economists to be the worst financial crisis since the Great Depression of  
11 the 1930s. It contributed to the failure of key businesses, declines in consumer wealth estimated  
12 in the trillions of dollars, substantial financial commitments incurred by governments, and a  
13 significant decline in economic activity. Unprecedented governmental intervention is credited  
14 with precluding a global depression. The collapse of the global residential housing market, which  
15 peaked in 2006, caused the values of securities tied to real estate pricing to plummet, damaging  
16 financial institutions. Questions regarding bank solvency, declines in credit availability, and  
17 damaged investor confidence negatively impacted the stock market. Economies worldwide  
18 slowed during this period as credit tightened and international trade declined. Governments and  
19 central banks responded with unprecedented fiscal stimulus, monetary policy expansion and  
20 institutional bailouts. The Great Recession historically speaking has been a unique unforeseen  
21 financial contraction beyond the control of the Debtor.

22 The consensus view of economists is that generally the worse is over but that significant  
23 risks remain for the U.S. and world economy over the 2010–2011 periods. Nearly all have been  
24 affected by the financial crisis. This includes the interruption of the implementation of the  
25 Debtor's original business plan. It also included putting Sterling at risk of receivership, a result  
26 averted earlier this year with an infusion of bank bailout funds, new equity and the Bank's own  
27

1 reorganization. The forbearance of the SBA from collection efforts is an effort by the  
2 Administration to assist in stabilizing the market. With a degree of stabilization returning to the  
3 economy and to the Palo Alto commercial real estate market, the Debtor will return to the  
4 implementation of its original (and updated) business plan previously endorsed by Sterling, the  
5 SBA and Stevens.

## 6 BUSINESS AND ECONOMIC ASSUMPTIONS

### 7 5.20 General Assumptions

8 The Debtor is informed and believes that the general economy will continue its halting  
9 recovery over the next three years sufficient to fully lease and/or sell the property. KMTP TV  
10 will lease up sufficient to cover contract interest only payments until the property is otherwise  
11 fully leased. The Debtor will lease space at less than market value sufficient to cover interest  
12 payments and operating expenses.

### 13 5.21 Central Revenue Assumptions - Rents

14 The Debtor places primary and substantial reliance on KMTP TV rent revenues. The  
15 central assumptions are that Sezmi's revenue projections are reasonably valid. This in turn  
16 assumes that the assumptions made by Best Buy Inc. as to the sale of digital receivers are  
17 reasonable. The Debtor believes that Best Buy is exceptionally qualified to make its projections,  
18 given that Best Buy Inc. is North America's number-one specialty retailer of consumer  
19 electronics, personal computers, entertainment software and appliances with 180,200 employees  
20 and 1,025 stores in the United States and an additional stores 3,011 stores in Canada, Mexico,  
21 China, and nine European countries.

22 An alternative central assumption is that CPB will grandfather KMTP TV in six months.  
23 Given that that KMTP TV is the only public stations with a multicultural-multilingual format and  
24 given CPB's newly announced policy decision to encourage program and audience diversity, the  
25 Debtor believes its reliance on KMTP TV receiving CPB funding is reasonable.

26 ///



1           5.22    Operating Expenses

2           The Debtor's assumes that its expenses will remain substantially at current levels over the  
3 next three years. Its two largest expenses are utilities and the salary of a single marketing  
4 employee. While the utilities expenses are not reasonably within Debtor's control, those  
5 expenses have been substantially the same for the last two years. The expenses assumptions  
6 include increases in the second and third year. The salary expense is likely to dissipate upon fully  
7 leasing the building. To encourage additional tenants, the Debtor will complete some tenant  
8 upgrades and improvements. Because there are more prospective tenants looking for smaller  
9 spaces than larger spaces, the 7,500 square foot second floor will be divided into three separate  
10 units. Open space on the first floor has already been divided into a smaller suite. A new digital  
11 media studio is now under construction. Additionally, the Debtor will cause the redecoration of  
12 public and common spaces.

13           5.23    Financial Statements

14           The Debtor attaches hereto, marked "Exhibit A," the following financial statements:  
15 Statement of Projected Revenues, Year 1, Year 2 and Year 3 and Projected Cash Flow  
16 Statements, Year 1, Year 2 and Year 3.

17           6.       CURRENT FINANCIAL INFORMATION

18           Post-Petition Financial Data/Monthly Operating Reports

19           Attached hereto, marked "Exhibit B" is a copy of the claims register in this case indicating  
20 all claims of which the Debtor is aware with the exception of the SBA Class B3 Claim. The  
21 Debtor disputes the Arlene Stevens claim and the amount of the property tax claim filed by the  
22 County of Santa Clara.

23           The Debtor has timely filed monthly operating reports with the Court. They show the  
24 following case to date activity, through June 30, 2009:

25       ///

26       ///

27

Gross Revenue	\$50,505
Expenses	\$16,038
Net Cash Flow	\$34,467 <sup>3</sup>

7. CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS;  
IMPAIRMENT

7.1 Classification. The following is a designation of the classes of claims and interests in the plan. Administrative expense claims and priority tax claims (that is, the nonclassified priority claims) have not been classified and are excluded from the following classes, in accordance with the provisions of section 1123(a)(1) of the Bankruptcy Code. The treatment accorded administrative expense claims and priority tax claims is set forth in Article 2 of the Plan. Consistent with the provisions of section 1122 of the Bankruptcy Code, a claim or interest shall be deemed classified by the plan in a particular class only to the extent that the claim or interest qualifies within the description of that class, and shall be deemed classified in a different class to the extent that the claim or interest qualifies within the description of that different class. A claim or interest is in a particular class only to the extent that the claim or interest is an Allowed Claim or allowed interest in that class, as the case may be.

7.1.1 Class A (priority claims) consists of all priority claims, if any, other than nonclassified priority claims. Debtor does not believe that there are any Class A Claims.

7.1.2 Class B1 (secured claim) consists of the secured claim of Santa Clara County Tax Collector.

7.1.3 Class B2 (secured claim) consists of the secured claim of Sterling Savings Bank, Successor in Interest by Merger to Sonoma National Bank.

7.1.4 Class B3 (secured claim) consists of the secured claim of Capital Access Group guaranteed by the United States of America Small Business Administration.

<sup>3</sup> The majority of this cash flow was expended in the payment of a utilities bill for the last three months.

1                   7.1.5   (a)   Class C1 (general unsecured claims) consists of all unsecured  
2 claims other than nonclassified priority claims and the disputed claim of Arlene Stevens.

3                   (b)   Class C2 (disputed unsecured claim of Arlene Stevens) consists of  
4 the disputed unsecured claim of Arlene Stevens.

5                   7.1.6   Class D (equity interests) consists of the shareholder interests in the  
6 Debtor.

7                   7.2    Impairment. Under the terms of the plan, all Allowed Claims (except  
8 Class A) and Allowed Interests are impaired.

9                                   TREATMENT OF CLAIMS

10                  7.3    Class A (Priority other than Priority Non-Classified Claims). The holders  
11 of Class A Claims, if any, shall be paid in full on the Effective Date.

12                  7.4    Class B1. The holder of the Class B1 Claim shall be paid to the extent of  
13 the Allowed amount thereof as follows: the holder of such claims will receive on account of such  
14 claim regular installment payments in cash --

15                           (i) of a total value, as of the effective date of the plan, equal to the allowed  
16 amount of such claim (simple interest shall be paid at the rate of 3% per annum);

17                           (ii) commencing on the Effective Date and continuing over a period ending  
18 not later than September 22, 2014.

19                  The holder of the Class B1 Claim shall be free to enforce its state law remedies to  
20 foreclose its Allowed Secured Claim if not paid as provided herein.

21                  7.5    Class B2. The holder of the Class B2 Claim shall receive full payment of  
22 its Allowed Secured Claim as follows: Monthly payments of contract interest on the principal  
23 amount thereof for a period of thirty six months commencing on the Effective Date; the balance  
24 owing on the Claim shall be paid in full no later than November 15, 2013. Pending payment in  
25 full as provided herein, the holder of the Class B1 Claim shall retain its lien against the Real  
26 Property. The holder of the Class B2 Claim shall be free to enforce its state law remedies to  
27

1 foreclose its Allowed Secured Claim if not paid in full as provided herein.

2           7.6     Class B3. The holder of the Class B3 Claim shall receive full payment of  
3 its Allowed Secured Claim as follows: Monthly payments of contract interest on the sum of  
4 \$417,237 (the extent to which its claim is an Allowed Secured Claim) for a period of thirty six  
5 months commencing on the Effective Date; the balance owing on the Claim (\$417,237) shall be  
6 paid in full no later than November 15, 2013. Pending payment in full as provided herein, the  
7 holder of the Class B2 Claim shall retain its lien against the Real Property (to the extent of  
8 \$417,237). In addition, upon payment in full to the holder of the Class B2 Claim, the balance of  
9 the Attached Funds shall be turned over to the holder of the Class B3 Claim on account of its  
10 Allowed Unsecured Claim. The holder of the Class B3 Claim shall be free to enforce its state law  
11 remedies to foreclose its Allowed Secured Claim if not paid as provided herein.

12           7.7     (a)     Class C1. The holders of Class C1 Claims shall receive payment  
13 on account of their Allowed Claims as follows: ten per cent (10%) of the amount thereof no later  
14 than November 15, 2013.

15                     (b)     Class C2. The holder of the disputed Class C2 Claim shall receive  
16 payment on account of her Allowed Claims as follows: ten per cent (10%) of the amount thereof  
17 no later than November 15, 2013.

18           7.8     Class D (Interests). The sole Class D Interest Holder shall retain his  
19 shareholder interest in the Debtor which is impaired under the Plan.

#### 20 EXECUTORY CONTRACTS AND UNEXPIRED LEASES

21           7.9     Assumptions/Rejections Generally. Except as otherwise provided in the  
22 Plan or in any contract, instrument, release, indenture or other agreement or document entered  
23 into in connection with the Plan, on the Effective Date, pursuant to section 365 of the Bankruptcy  
24 Code, the Debtor shall assume/reject the unexpired leases and/or executory contracts, as to which,  
25 Debtor is not in default, as indicated below:

26 ///

To the extent they are deemed to be executory contracts or unexpired leases, the following described non-residential tenancies of the Real Property commonly known as all land and improvements situated at 1010 Corporation Way Palo Alto, CA 94303-4304 shall be assumed:

<u>Tenant</u>	<u>Lessor</u>	<u>Rent</u>	<u>Lease Termination Date</u>
KMTP-TV	Debtor	\$ 2,500/mo.	Month-to-month
New Tang Dynasty TV	Debtor	\$ 3,172/mo.	Month-to-month
Epoch Times	Debtor	\$ 1,710/mo.	Month-to-month

Each contract or lease assumed pursuant to Section 5.2 shall be assumed only to the extent that any such contract or lease constitutes an executory contract or unexpired lease within the meaning of 11 U.S.C. §365.

7.10 Approval of Assumptions. The Confirmation Order shall constitute an order of the Bankruptcy Court approving the assumptions/rejection described in Section 5.2, pursuant to section 365 of the Bankruptcy Code.

7.11 Bar Date for Lease Rejection Claims. The last date to file a proof of claim arising from a rejected lease shall be the Effective Date. The Debtor does not contemplate any lease rejection claims.

#### 8. LEGAL PROCEEDINGS

There have been no legal proceedings during the pendency of this case which have had any material impact on the Debtor's reorganization effort.

#### 9. CASH REQUIREMENTS AND ADMINISTRATIVE EXPENSES

The amount and source of cash to be paid upon confirmation of the plan or its effective date is set forth in Section 14 below. The unpaid administrative expenses as of the Confirmation Date are estimated to be \$0.

#### 10. AVOIDANCE ACTIONS AND OTHER LITIGATION

Debtor and Debtor's counsel are not aware of any potential actions which may be cognizable under 11 U.S.C. §§544, 545, 546, 547, 548, 549 and/or 550.

///

11. LIQUIDATION ANALYSIS

As set forth above, this case was filed to stop the foreclosure by the holder of the first deed of trust. If this case converted to Chapter 7, it is likely that the Chapter 7 Trustee would pursue the sale of the Real Property at a price not likely to satisfy Sterling, failing which, Sterling would be permitted to foreclose on its security. The appraisal of Colliers International of San Jose submitted by Sterling determined the value of the property to be \$2.8 million - \$2.15 million if the property were to be sold within a 180 day period. The Amended Plan is premised upon this reduced value of \$2.8 million and a liquidation value of \$2.15 million in the event of a forced sale within 180 days. Under the circumstances and for the reasons set forth above, Debtor believes that liquidation at this time is not a sensible alternative for the holder of the second deed of trust and unsecured creditors.

12. MANAGEMENT EMPLOYMENT AND COMPENSATION

Debtor's current management is as follows:

Name	Title	Current Annual Compensation
Booker T. Wade	Chief Executive Officer, President and sole shareholder	\$0.00

It is anticipated that Mr. Wade will remain in his present position with the same compensation, subject to reasonable increases, following Plan confirmation. The Debtor intends to hire a person as building manager whose principal function will be soliciting tenants. His starting salary will be \$3,000. Except as herein set forth, there is no other compensation of the Debtor's management, disclosure of which information is required by 11 U.S.C. § 1129(a)(5).

13. TAX CONSEQUENCES

Debtor does not anticipate any adverse tax consequences arising as a result of the Plan, the sale of the Real Property or the events occurring prior thereto which will interfere with Debtor's performance of the Plan.

1 IN ANY EVENT, HOLDERS OF CLAIMS AND OTHER INTERESTED PERSONS  
2 SHOULD CONSULT THEIR OWN TAX COUNSEL TO DETERMINE THE TAX  
3 CONSEQUENCES UPON THEM, IF ANY, ARISING FROM THE PLAN OR THE EVENTS  
4 PRIOR THERETO.

5 14. VOTING

6 As provided in 11 U.S.C. §1126, each holder of an Allowed Claim in an impaired Class  
7 that retains or receives property under the Plan shall be entitled to vote separately to accept or  
8 reject the Plan and indicate such vote on a duly executed and delivered ballot. Each holder of an  
9 Allowed Claim in an impaired Class that does not retain or receive any property under the Plan is  
10 deemed to have rejected the Plan. The designation of Classes as "impaired" or "unimpaired" is  
11 set forth in Sections 11.6 of the Plan. No holder of an Allowed Claim in an unimpaired Class is  
12 entitled to vote to accept or reject the Plan in its capacity as a holder of such Claim.

13 If any impaired Class does not accept the Plan by the requisite statutory majorities  
14 provided in sections 1126(c) or 1126(d) of the Bankruptcy Code, as applicable, or if any impaired  
15 Class is deemed to have rejected the Plan, the Debtor reserves the right (a) to undertake to have  
16 the Bankruptcy Court confirm the Plan under section 1129(b) of the Bankruptcy Code, and (b) to  
17 amend the Plan as necessary to obtain entry of the Confirmation Order.

18 Section 1126 provides the requisite voting majorities, as follows:

19 (c) A class of claims has accepted a plan if such plan has been accepted by  
20 creditors, other than any entity designated under subsection (e) of this section, that  
21 hold at least two-thirds in amount and more than one-half in number of the  
22 allowed claims of such class held by creditors, other than any entity designated  
23 under subsection (e) of this section, that have accepted or rejected such plan.

24 (d) A class of interests has accepted a plan if such plan has been accepted by  
25 holders of such interests, other than any entity designated under subsection (e) of  
26 this section, that hold at least two-thirds in amount of the allowed interests of such  
27

1 class held by holders of such interests, other than any entity designated under  
2 subsection (e) of this section, that have accepted or rejected such plan.

3 Dated: August 9, 2010 TV-32 DIGITAL VENTURES INC.

4  
5 By: /s/ Booker T. Wade  
6 BOOKER T. WADE  
7 Designated Responsible Person

8 Submitted By:  
9 PINNACLE LAW GROUP LLP

10 By: /s/ Matthew J. Shier  
11 MATTHEW J. SHIER  
12 Attorneys for Debtor

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# EXHIBIT A

	TV 32 DIGITAL VENTURES INC.												
	Statements of Revenues, Expenses & Cash Flow												
	Year 1												
	Nov-10	Dec-10	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Totals
Revenues													
Leasing													
New Tang	3,175	3,175	3,175	3,175	3,175	3,175	3,175	3,175	3,175	3,175	3,175	3,175	38,100
Epoch Times	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	24,000
KMTP	10,000	10,000	10,000	15,000	15,000	10,000	15,000	12,500	12,500	12,500	12,500	12,500	147,500
2-Room Unit	350	350	350	350	350	350	450	450	450	450	450	450	4,800
Sound of Hope	650	650	650	650	650	650	700	700	700	700	700	700	8,100
College of Palo Alto	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	24,000
2d Floor Tenants	0	0	4,000	4,000	4,000	4,000	13,125	13,125	13,125	13,125	13,125	13,125	94,750
Net Revenues	18,175	18,175	22,175	27,175	27,175	22,175	36,450	33,950	33,950	33,950	33,950	33,950	341,250
Expenses													
Administrative													
Bldg-Marktg Mgr	0	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	33,000
Accounting	0	0	500	500	500	500	500	500	500	500	500	500	5,000
Payroll Additives	0	750	750	750	750	750	750	800	800	800	800	800	8,500
Office Suppl	100	100	100	100	200	200	200	200	200	200	200	200	2,000
Telecommunications	100	100	100	100	100	100	100	100	100	100	100	100	1,200
Brochures/materials	500	100	100	100	100	100	500	100	100	100	100	100	2,000
Advertising	500	500	500	500	500	500	250	250	250	250	250	250	4,500
UST Fees	365	0	0	365	0	0	365	0	0	365	0	0	1,460
Legal Fee				2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	20,000
Misc	100	100	100	100	100	100	100	100	100	100	100	100	1,200
Equipment Purchases													
Internet													0
Computer	500	0	0	0	0	0	0	0	0	0	0	0	500
Software	250	0	0	0	0	0	0	0	0	0	0	0	250
Building													
Taxes Current													0
Insurance													
Flood	0	0	0	0	0	0	0	0	0	0	0	6,500	6,500
Property	0	0	0	1,500	0	0	1,500	0	0	1,500	0	0	4,500
Utilities	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	45,000
Cleaning	600	600	600	600	750	750	750	750	750	750	750	750	8,400
Grounds	350	350	350	350	350	350	400	400	400	400	400	400	4,500
Supplies	100	100	100	100	100	100	100	100	100	100	100	100	1,200
Repairs	350	350	350	350	350	500	500	500	500	1,000	1,000	1,000	6,750
Upgrades	0	0	0	0	0	0	10,000	0	0	0	0	10,000	20,000
Debt Service													0
Sterling	11,418	11,418	11,418	11,418	11,418	11,418	11,418	11,418	11,418	11,418	11,418	11,418	137,016
SBA	1,912	1,912	1,912	1,912	1,912	1,912	1,912	1,912	1,912	1,912	1,912	1,912	22,944
Taxes - County	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	19,194
Taxes - City	363	363	363	363	363	363	363	363	363	363	363	363	4,354
Unsecured creditors													
Total Expenses	22,857	25,092	25,592	27,457	28,342	28,492	30,557	38,342	28,342	30,707	28,842	45,342	359,968
Net Profit	(4,682)	(6,917)	(3,417)	(282)	(1,167)	(6,317)	5,893	(4,392)	5,608	3,243	5,108	(11,392)	(18,718)
Beginning Cash	10,000	15,318	8,400	4,983	14,701	13,533	12,216	18,109	13,716	19,324	22,567	27,674	16,282
Cash from Operations	(4,682)	(6,917)	(3,417)	(282)	(1,167)	(6,317)	5,893	(4,392)	5,608	3,243	5,108	(11,392)	0
Cash from Investing	10,000			10,000		5,000							25,000
Cash from Lending													0
Total Available Cash	15,318	8,400	4,983	14,701	13,533	12,216	18,109	13,716	19,324	22,567	27,674	16,282	41,282
Net Cash Flow	15,318	8,400	4,983	14,701	13,533	12,216	18,109	13,716	19,324	22,567	27,674	16,282	41,282

				TV 32 DIGITAL VENTURES INC.																
				Statements of Revenues, Expenses & Cash Flow																
				Year 2																
				Nov-11	Dec-11	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Totals				
Revenues																				
Leasing																				
New Tang				3,175	3,175	3,875	3,875	3,875	3,875	3,875	3,875	3,875	3,875	3,875	3,875	3,875	45,100			
Epoch Times				2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	24,000			
KMTP				12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	150,000			
2-Room Unit				450	450	450	450	450	450	450	450	450	450	450	450	450	5,400			
Sound of Hope				650	650	650	650	650	650	700	700	700	700	700	700	700	8,100			
College of Palo Alto				2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	24,000			
2d Floor Tenant				13,125	13,125	13,125	13,125	13,125	13,125	13,125	13,125	13,125	13,125	13,125	13,125	13,125	157,500			
Net Revenues				33,900	33,900	34,600	34,600	34,600	34,600	34,650	34,650	34,650	34,650	34,650	34,650	34,650	414,100			
Expenses																				
Administrative																				
Bldg-Marktg Mgr				0	500	500	500	500	500	500	500	500	500	500	500	500	5,500			
Accounting				0	0	500	500	500	500	500	500	500	500	500	500	500	5,000			
Payroll Additives				0													0			
Office Suppl				100	100	100	100	200	200	200	200	200	200	200	200	200	2,000			
Telecommunications				100	100	100	100	100	100	100	100	100	100	100	100	100	1,200			
Brochures/materials				500	100	100	100	100	100	500	100	100	100	100	100	100	2,000			
Advertising				500	500	500	500	500	500	250	250	250	250	250	250	250	4,500			
UST Fees				365	0	0	365	0	0	365	0	0	365	0	0	0	1,460			
Legal Fee					2,500		2,500		2,500		2,500		2,500		2,500	2,500	15,000			
Misc				100	100	100	100	100	100	100	100	100	100	100	100	100	1,200			
Equipment Purchases																				
Internet																	0			
Computer				500	0	0	0	0	0	0	0	0	0	0	0	0	500			
Software				250	0	0	0	0	0	0	0	0	0	0	0	0	250			
Building																				
Taxes				3,210	3,210	3,210	3,210	3,210	3,210	3,210	3,210	3,210	3,210	3,210	3,210	3,210	38,520			
Insurance																				
Flood																	6,500			
Physical				1,500	0	0	1,500	0	0	1,500	0	0	1,500	0	0	0	6,000			
Utilities				4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	48,000			
Cleaning				600	600	600	600	750	750	750	750	750	750	750	750	750	8,400			
Grounds				350	350	350	350	350	350	400	400	400	400	400	400	400	4,500			
Supplies				100	100	100	100	100	100	100	100	100	100	100	100	100	1,200			
Repairs				350	350	350	350	350	500	500	500	500	1,000	1,000	1,000	1,000	6,750			
Upgrades							0	0	10,000	10,000	0	0	10,000	0	0	0	30,000			
Debt Service																	0			
Sterling				11,418	11,418	11,418	11,418	11,418	11,418	11,418	11,418	11,418	11,418	11,418	11,418	11,418	137,016			
SBA				1,912	1,912	1,912	1,912	1,912	1,912	1,912	1,912	1,912	1,912	1,912	1,912	1,912	22,944			
Taxes - County				1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	19,194			
Taxes - City				363	363	363	363	363	363	363	363	363	363	363	363	363	4,354			
Unsecured creditors						2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	20,000			
Total Expenses				27,817	27,802	27,802	32,167	28,052	40,702	40,267	30,502	28,002	42,867	28,502	37,502	391,988				
Net Profit				6,083	6,098	6,798	2,433	6,548	(6,102)	(5,617)	4,148	6,648	(8,217)	6,148	(2,852)	22,112				
Beginning Cash				16,282	22,364	28,462	35,260	37,692	44,240	38,138	32,520	36,668	43,316	35,098	41,246	38,394				
Cash from Operations				6,083	6,098	6,798	2,433	6,548	(6,102)	(5,617)	4,148	6,648	(8,217)	6,148	(2,852)	0				
Cash from Investing																0				
Cash from Lending				0	0	0	0	0	0	0	0	0	0	0	0	0				
Total Available Cash				22,364	28,462	35,260	37,692	44,240	38,138	32,520	36,668	43,316	35,098	41,246	38,394	38,394				
Net Cash Flow				22,364	28,462	35,260	37,692	44,240	38,138	32,520	36,668	43,316	35,098	41,246	38,394	38,394				

			TV 32 DIGITAL VENTURES INC.																	
			Statements of Revenues, Expenses & Cash Flow																	
			Year 3																	
			Nov-12	Dec-12	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Totals					
Revenues																				
Leasing																				
New Tang			4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	54,000					
Epoch Times			2,750	2,750	2,750	2,750	2,750	2,750	2,750	2,750	2,750	2,750	2,750	2,750	33,000					
KMTP			15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	180,000					
2-Room Unit			600	600	600	600	600	600	600	600	600	600	600	600	7,200					
Sound of Hope			1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	14,400					
College of Palo Alto			4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	48,000					
2d Floor Tenant			15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	180,000					
Net Revenues			43,050	43,050	43,050	43,050	43,050	43,050	43,050	43,050	43,050	43,050	43,050	43,050	516,600					
Expenses																				
Administrative																				
Bldg-Marktg Mgr			600	600	600	600	600	600	600	600	600	600	600	600	7,200					
Accounting			0	0	500	500	500	500	500	500	500	500	500	500	5,000					
Payroll Additives			0												0					
Office Suppl			100	100	100	100	200	200	200	200	200	200	200	200	2,000					
Telecommunications			100	100	100	100	100	100	100	100	100	100	100	100	1,200					
Brochures/materials			500	100	100	100	100	100	500	100	100	100	100	100	2,000					
Advertising			500	500	500	500	500	500	250	250	250	250	250	250	4,500					
UST Fees			365	0	0	365	0	0	365	0	0	365	0	0	1,460					
Legal Fee			2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	30,000					
Misc			100	100	100	100	100	100	100	100	100	100	100	100	1,200					
Equipment Purchases																				
Internet															0					
Computer			500	0	0	0	0	0	0	0	0	0	0	0	500					
Software			250	0	0	0	0	0	0	0	0	0	0	0	250					
Building																				
Taxes			3,300	3,300	3,300	3,300	3,300	3,300	3,300	3,300	3,300	3,300	3,300	3,300	39,600					
Insurance																				
Flood															6,500					
Physical			1,500	0	0	1,500	0	0	1,500	0	0	1,500	0	0	6,000					
Utilities			4,250	4,250	4,250	4,250	4,250	4,250	4,250	4,250	4,250	4,250	4,250	4,250	51,000					
Cleaning			600	600	600	600	750	750	750	750	750	750	750	750	8,400					
Grounds			350	350	350	350	350	350	400	400	400	400	400	400	4,500					
Supplies			100	100	100	100	100	100	100	100	100	100	100	100	1,200					
Repairs			350	350	350	350	350	500	500	500	500	1,000	1,000	1,000	6,750					
Upgrades			0	10,000	0	0	0	0	0	0	0	0	0	0	10,000					
Debt Service															0					
Sterling			11,418	11,418	11,418	11,418	11,418	11,418	11,418	11,418	11,418	11,418	11,418	11,418	137,016					
SBA			1,912	1,912	1,912	1,912	1,912	1,912	1,912	1,912	1,912	1,912	1,912	1,912	22,944					
Taxes - County			1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	19,194					
Taxes - City			363	363	363	363	363	363	363	363	363	363	363	363	4,354					
Unsecured creditors			2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	25,200					
Total Expenses			33,357	40,342	30,842	32,707	31,092	31,242	33,307	31,042	31,042	33,407	31,542	38,042	397,968					
Net Profit			9,693	2,708	12,208	10,343	11,958	11,808	9,743	12,008	12,008	9,643	11,508	5,008	118,632					
Beginning Cash			38,394	48,086	50,794	63,002	73,344	85,302	97,110	106,852	118,860	130,868	140,510	152,018	157,026					
Cash from Operations			9,693	2,708	12,208	10,343	11,958	11,808	9,743	12,008	12,008	9,643	11,508	5,008	0					
Cash from Investing															0					
Cash from Lending			0	0	0	0	0	0	0	0	0	0	0	0	0					
Total Available Cash			48,086	50,794	63,002	73,344	85,302	97,110	106,852	118,860	130,868	140,510	152,018	157,026	157,026					
Net Cash Flow			48,086	50,794	63,002	73,344	85,302	97,110	106,852	118,860	130,868	140,510	152,018	157,026	157,026					

## EXHIBIT B

# Northern District of California Claims Register

[09-58098 TV-32 Digital Ventures Inc.](#)

**Judge:** Arthur S. Weissbrodt

**Chapter:** 11

**Office:** San Jose

**Last Date to file claims:** 01/26/2010

**Trustee:**

**Last Date to file (Govt):**

<b>Creditor:</b> (10352821) Internal Revenue Service P O Box 21126 Philadelphia, P A 19114	<b>Claim No: 1</b> <i>Original Filed</i> <i>Date:</i> 10/16/2009 <i>Original Entered</i> <i>Date:</i> 10/16/2009	<b>Status:</b> <i>Filed by:</i> CR <i>Entered by:</i> Smith, Mikeal <i>Modified:</i>
Unsecured claimed: \$200.00 Secured claimed: \$0.00 Priority claimed: \$400.00 <b>Total claimed: \$600.00</b>		
<b>History:</b> <a href="#">Details</a> <a href="#">1-1</a> 10/16/2009 Claim #1 filed by Internal Revenue Service, total amount claimed: \$600 (Smith, Mikeal )		
<b>Description:</b>		
<b>Remarks:</b>		

<b>Creditor:</b> (10334191) <a href="#">History</a> City of Palo Alto Utilities Department 250 Hamilton Ave Palo Alto, CA 94301	<b>Claim No: 2</b> <i>Original Filed</i> <i>Date:</i> 10/26/2009 <i>Original Entered</i> <i>Date:</i> 11/03/2009	<b>Status:</b> <i>Filed by:</i> CR <i>Entered by:</i> ed, <i>Modified:</i>
Unsecured claimed: \$16689.91 <b>Total claimed: \$16689.91</b>		
<b>History:</b> <a href="#">Details</a> <a href="#">2-1</a> 10/26/2009 Claim #2 filed by City of Palo Alto, total amount claimed: \$16689.91 (ed)		
<b>Description:</b>		
<b>Remarks:</b>		

<b>Creditor:</b> (10418824) Santa Clara County Tax Collector's Office 70 West Hedding Street East Wing, 6th Floor San Jose, CA 95110	<b>Claim No: 3</b> <i>Original Filed</i> <i>Date:</i> 12/30/2009 <i>Original Entered</i> <i>Date:</i> 12/30/2009	<b>Status:</b> <i>Filed by:</i> CR <i>Entered by:</i> Nichols, Deborah <i>Modified:</i>
Secured claimed: \$69422.62 <b>Total claimed: \$69422.62</b>		

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<b>History:</b> <a href="#">Details</a> <a href="#">3-1</a> 12/30/2009 Claim #3 filed by Santa Clara County, total amount claimed: \$69422.62 (Nichols, Deborah )
<b>Description:</b>
<b>Remarks:</b>

<b>Creditor:</b> (10334198) Arlene D. Stevens 3575 Tripp Road Woodside, CA 94062	<b>Claim No: 4</b> <i>Original Filed</i> <i>Date:</i> 01/25/2010 <i>Original Entered</i> <i>Date:</i> 01/25/2010	<b>Status:</b> <i>Filed by:</i> CR <i>Entered by:</i> Healy, William <i>Modified:</i>
Unsecured claimed: \$3767201.00 <b>Total claimed: \$3767201.00</b>		
<b>History:</b> <a href="#">Details</a> <a href="#">4-1</a> 01/25/2010 Claim #4 filed by Arlene D. Stevens, total amount claimed: \$3767201 (Healy, William )		
<b>Description:</b>		
<b>Remarks:</b>		

<b>Creditor:</b> (10632795) Sterling Savings Bank	<b>Claim No: 5</b> <i>Original Filed</i> <i>Date:</i> 01/26/2010 <i>Original Entered</i> <i>Date:</i> 01/26/2010 <i>Last Amendment</i> <i>Filed:</i> 01/28/2010 <i>Last Amendment</i> <i>Entered:</i> 01/28/2010	<b>Status:</b> <i>Filed by:</i> CR <i>Entered by:</i> Stevenson, Rachel <i>Modified:</i> 02/01/2010
Secured claimed: \$2126159.44 <b>Total claimed: \$2126159.44</b>		
<b>History:</b> <a href="#">Details</a> <a href="#">5-1</a> 01/26/2010 Claim #5 filed by Sterling Savings Bank, total amount claimed: \$2126159.44 (myt) <a href="#">Details</a> <a href="#">5-2</a> 01/28/2010 Amended Claim #5 filed by Sterling Savings Bank, total amount claimed: \$2126159.44 (myt)		
<b>Description:</b> (5-2) ERROR: AMENDS PREVIOUS CLAIM. CLAIM NUMBER NOT LISTED ON PDF (myt)		
<b>Remarks:</b> (5-1) ERROR: ADDRESS NOT ENTERED (myt) (5-2) ERROR: ADDRESS NOT ENTERED (myt)		

<b>Creditor:</b> (10634307) Franchise Tax Board Bankruptcy Section MS A340 Franchise Tax Board PO Box 2952 Sacramento CA 95812-2952	<b>Claim No: 6</b> <i>Original Filed</i> <i>Date:</i> 01/26/2010 <i>Original Entered</i> <i>Date:</i> 01/26/2010	<b>Status:</b> <i>Filed by:</i> CR <i>Entered by:</i> ps, <i>Modified:</i>
Unsecured claimed: \$205.33 Priority claimed: \$1710.71 <b>Total claimed: \$1916.04</b>		
<b>History:</b>		

TV32 2nd Amended Disclosure Statement - Exhibit B page 2 of 3

[Details](#) [6-1](#) 01/26/2010 Claim #6 filed by Franchise Tax Board, total amount claimed: \$1916.04 (ps)

Description:

Remarks:

### Claims Register Summary

**Case Name:** TV-32 Digital Ventures Inc.

**Case Number:** 09-58098

**Chapter:** 11

**Date Filed:** 09/23/2009

**Total Number Of Claims:** 6

	Total Amount Claimed	Total Amount Allowed
<b>Unsecured</b>	\$3784296.24	
<b>Secured</b>	\$2195582.06	
<b>Priority</b>	\$2110.71	
<b>Unknown</b>		
<b>Administrative</b>		
<b>Total</b>	<b>\$5981989.01</b>	<b>\$0.00</b>

### PACER Service Center

#### Transaction Receipt

08/05/2010 09:48:02

<b>PACER Login:</b>	pg0201	<b>Client Code:</b>	
<b>Description:</b>	Claims Register	<b>Search Criteria:</b>	09-58098 Filed or Entered From: 7/16/2000 Filed or Entered To: 1/1/2011
<b>Billable Pages:</b>	1	<b>Cost:</b>	0.08